

Media Release

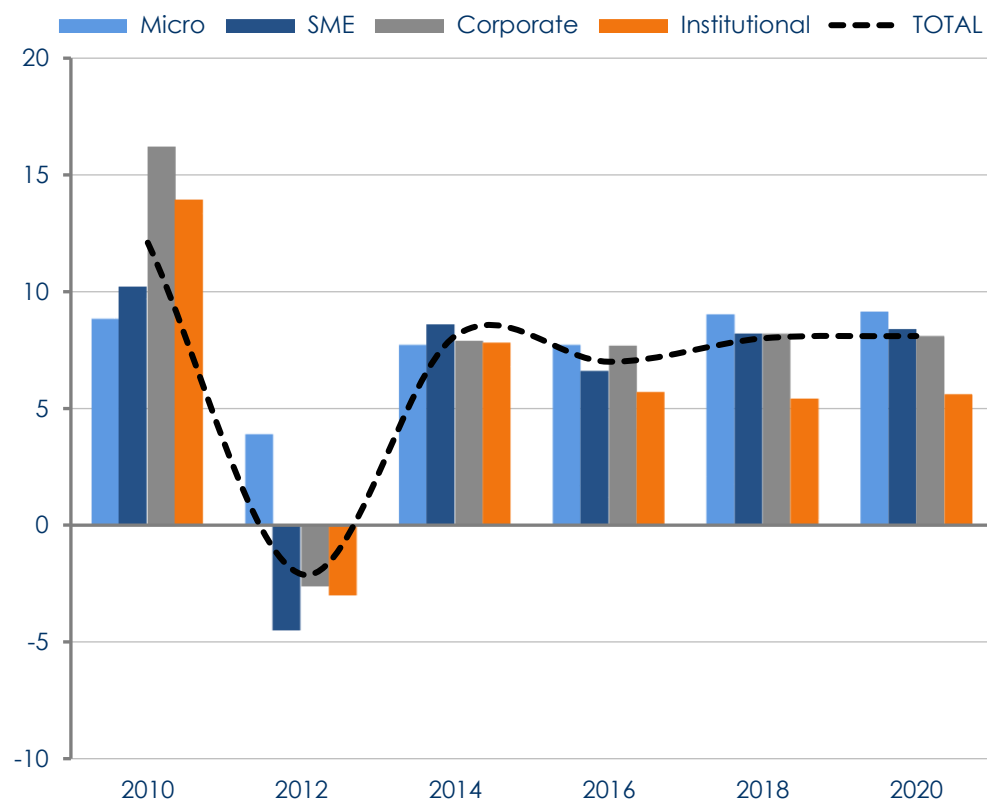
Competition Intensifies for Asset Finance in the Face of Decelerating Growth

(4 February 2020 – Australia) Equipment Finance providers are being forced to lift their game as a record number of customers plan to switch provider in the first half of 2020 for a better deal, new research from banking advisory firm East & Partners shows.

Competition has reached fever pitch in the face of slowing forecast equipment finance demand, peaking at an increase of 8.1 percent in line with last year's market wide forecast. Significant variance exists by business size, with forecast asset finance demand for small businesses and the middle market outstripping the Top 500 institutional enterprises by almost two to one.

Asset Financing Forecast Volume Change Next 12 Months

Average Financing Volume % Change

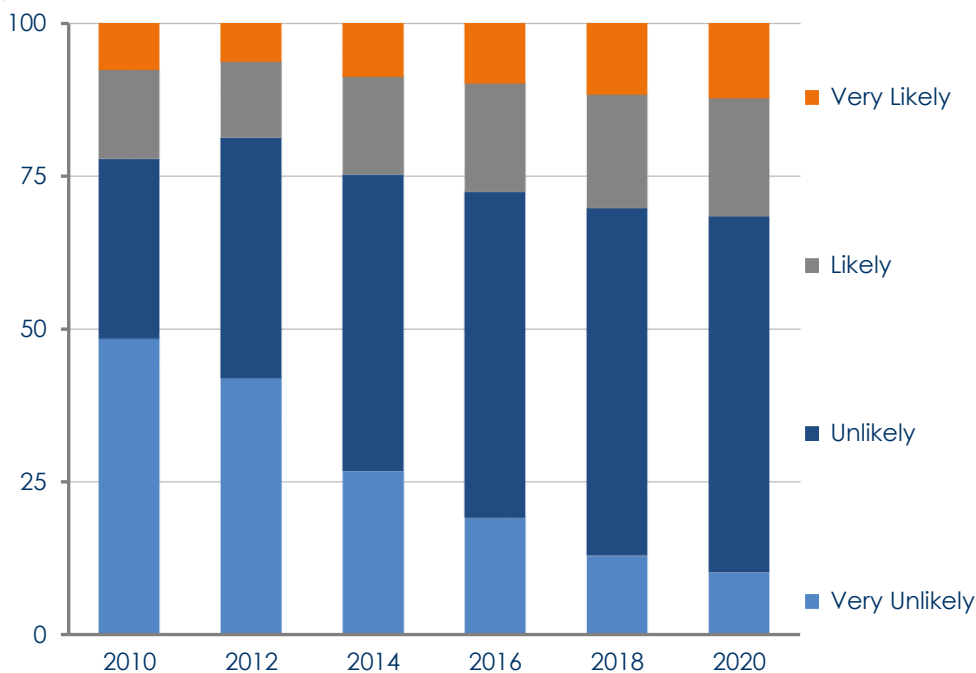


Source: East & Partners Asset & Equipment Finance Program

One in three businesses plan to switch equipment finance provider in H1 2020 (31.6 percent). This figure has doubled from only 15.6 percent in 2011, noting a surge among Microbusinesses and SMEs who traditionally bank in a holistic way and prefer not to spread their equipment finance wallet beyond a single provider. This is a key trend to monitor closely in upcoming rounds of reporting as customers demand a greater focus on trust and transparency.

Customers Planning to Switch Primary Equipment Financier in H1 2020

% of Total



Source: East & Partners Asset & Equipment Finance Program

Sustained relationship growth by CBA, BoQ and Macquarie headline the relationship share performance standings, chasing down market leader NAB who continues to experience customer churn. The analytics are based on direct interviews with 1,291 enterprises with current asset financing arrangements in place.

A changing of the guard is firmly underway as both bank and non-bank providers jockey to win new business from ex-GE customers redistributed across the market. First name brand recall, or 'mind share', also shows a concerted shift away from traditional leader Westpac towards CBA in particular, now the most recognised brand for equipment finance among Australian businesses.

Mind share of non-bank providers continues to advance strongly, led by Maia Financial, to reach an aggregate total of 6.7 percent, up from 3.3 percent in 2016. The research program also presents relationship share growth for transaction banking and lending. Understanding what 'gets businesses out of bed' is crucial for streamlining customer dealings, an area where CBA and BoQ excel according to customer satisfaction ratings captured across ten product and service factors.

Other key insights from the 2020 Australian Asset & Equipment Finance program include

- Cashflow needs (87.7 percent) and removing assets from the balance sheet (39.5 percent) are the two most pressing factors driving demand for asset finance.
- Businesses are seemingly getting on top of legacy assets being stretched beyond their intended working life with only one in five nominating the replacement of outdated equipment replacement as their main driver (21.1 percent), down from 32.7 percent in 2016.
- Equipment finance represents a quarter of total borrowings for Australian enterprises on average (25.5 percent).
- Microbusinesses rely heavily on key methods of equipment finance such as Operating Leases, Novated Leases, Chattel Mortgages, Finance Leases and Hire Purchase agreements, reaching as high as 36.9 percent of total borrowings.
- The average percentage of asset finance over total borrowings for institutional enterprises is almost five times lower at 7.6 percent as a result of access to a broader range of sophisticated debt funding methods for capital expenditure.

"Customer behaviour is evolving rapidly but how well are equipment finance providers adapting? Market share growth leaders CBA, BoQ and Macquarie are challenging the incumbent majors NAB and Westpac. As customer switching intentions continue to rise, driving average wallet share lower, the onus will fall firmly on customer retention" stated East & Partners Head of Markets Analysis Martin Smith.

"There is a real opportunity to connect with CFOs and corporate treasurers at a time when their expectations are rising so quickly that maintaining the 'status quo' is no longer prudent. Currently less than half of businesses received a competitive approach for their business, suggesting these trends of lessening wallet share and increasing churn will only continue" he added.

About the research

The Asset & Equipment Finance Markets program is a unique, all-encompassing sampling of national asset and equipment finance customers. Direct interviews are conducted annually with a representative national sample of 1,300 enterprises applying a screen to ensure only enterprises with existing equipment facilities in place are captured. The first of its kind program provides a continuous annual research stream since 2006 providing a rich source of historical trending data.

Research results are released annually encompassing market wide customer segments from Microbusinesses to Institutional enterprises. Analytics include asset finance provider competitive positioning, relationship management issues leading to customer churn, competitive positioning, broker channel, mind share, types of asset finance used, forecast demand and credit processes.

Customer Segments:

Micro – \$A1 – 5 million

SME – A\$5 - 20 million

Corporate – A\$20 - 725 million

Institutional – A\$725 million plus

For more information, or to access the report contact:

Regional Insights Manager

Sian Dowling

e: sian.d@eastandpartners.com

t: +61 2 9004 7848

About East & Partners

East & Partners is a leading specialist business banking market research and analysis firm. The firm's core expertise is in the provision of analysis and advisory services tailored for the commercial, business and institutional banking markets across Asia Pacific, Australasia, Europe and North America